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UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL ADJUSTMENT ADMINISTRATION

THE AGRICULTURAL ADJUSTMENT ACT OF 1938 IN RELATION TO FLUE-CURED TOBACCO

THE NEW ACT AND THE PRESENT SITUATION

The Agricultural Adjustment Act of 1938 is intended to aid farmers in adjusting their marketings of tobacco so as to protect their income from tobacco and provide adequate supplies in line with demand.

Flue-cured tobacco growers in the United States are now equipped to produce about 950 million pounds of flue-cured tobacco annually. They appear to be inclined to make even further increases as a result of the favorable prices in recent years. The level of consumption is now slightly above 700 million pounds. Domestic consumption is increasing, but the rate of increase has slowed down. Exports still are affected unfavorably by tariffs and other trade handicaps built up since the world war, and by increased production of flue-cured tobacco in foreign countries.

Over a period of years farmers can expect to receive a smaller total income for crops in excess of demand than they would receive for crops adjusted so as to keep supplies in line with demand. The past four crops of flue-cured tobacco have brought an average price of 23.1 cents per pound and an average total income to farmers of 165.5 million dollars. These incomes were realized while programs were in effect, or in prospect, which would tend to avoid production in future years in excess of market needs.

It is unlikely that any material increase in consumption of United States flue-cured tobacco would result from lower farm prices. The consumer pays about the same price for tobacco products regardless of the farm price. Taxes, tariff duties, manufacturing costs, and selling charges are relatively fixed and make up so large a part of the total cost that changes in prices paid to farmers generally do not cause changes in the prices for tobacco products.

QUESTIONS AND ANSWERS

GENERAL FEATURES OF THE ACT

1. Q. What is the Agricultural Adjustment Act of 1938?
 - A. An act of Congress approved by the President on February 16, 1938, which, among other things, continues, amends, and strengthens the Soil Conservation and Domestic Allotment Act and provides authority for the control of surpluses in the five commodities, cotton, tobacco, rice, corn, and wheat.
2. Q. In what way does the act provide control of surpluses?
 - A. When supplies reach certain levels, marketing of the crops is regulated through the establishment of marketing quotas.
3. Q. Do the marketing quotas for tobacco apply to all kinds of tobacco or to each kind of tobacco separately?
 - A. The act defines different kinds of tobacco and the marketing quotas apply to each kind separately.

MARKETING QUOTAS FOR FLUE-CURED TOBACCO

4. Q. When will flue-cured tobacco marketing quotas be put into effect?
 - A. They will be in effect in 1938, unless more than one-third of the producers voting in a referendum are opposed to such quotas.
5. Q. What determines when marketing quotas will be applicable?
 - A. The act provides that when the total supply exceeds the reserve supply level for flue-cured tobacco a national marketing quota will be in effect.
6. Q. What is the reserve supply level?
 - A. The reserve supply level is a quantity of tobacco 5 percent above the normal supply. The figure used in determining the 1938 marketing quota for flue-cured tobacco was 1,681 million pounds. Normal supply, as defined in the act, is the sum of a normal year's domestic consumption plus 175 percent of such consumption and a normal year's exports plus 65 percent of such exports.
7. Q. What is total supply?
 - A. Total supply is the quantity of tobacco on hand July 1, the beginning of the marketing year, plus the estimated crop for the year. The total supply of flue-cured tobacco on July 1, 1937, was 1,733 million pounds.
8. Q. What is a marketing quota?
 - A. A marketing quota is the quantity of tobacco which can be marketed without penalty.
9. Q. How much is the 1938 marketing quota for flue-cured tobacco?
 - A. The national marketing quota for 1938 is 705 million pounds.
10. Q. When is the Secretary required to announce the national marketing quota?
 - A. In 1938 the quota must be announced within 15 days after the approval of the act. In later years any quota must be announced not later than December 1.

REFERENDUM

11. Q. When is the referendum required to be held?
 - A. In 1938 the referendum will be held March 12. In other years not later than December 31.
12. Q. Who is eligible to vote in the referendum?
 - A. Farmers engaged in the production of flue-cured tobacco in 1937. Each farmer will have one vote.
13. Q. How does the referendum affect the operation of the act?
 - A. If more than one-third of the growers voting in the referendum are opposed to the marketing quota, the quota will not go into operation.

DETERMINATION OF STATE QUOTAS

14. Q. How is the national marketing quota divided among States?
 - A. The national marketing quota is divided among the States on the basis of production in the past 5 years (including estimated production on diverted acres), with adjustments for abnormal weather and plant-bed diseases, for small farms, and for trends in production.
15. Q. Is all of the quota distributed on this basis?
 - A. Not less than 95 percent of the quota is distributed on this basis.

16. Q. How is the remaining part of the quota distributed?
A. The remaining part of the quota, not exceeding 5 percent, is used to provide allotments to new farms—farms on which tobacco is produced for the first time in 5 years—and for increases of quotas for small farms.

DIVISION OF STATE QUOTAS AMONG FARMS

17. Q. How is the State quota divided among farms?
A. The State quota is divided among counties, and the local committeemen in each county recommend quotas for individual farms in accordance with uniform instructions.
18. Q. What are the local committees required to consider in recommending quotas for farms?
A. Past marketings of tobacco, adjusted for abnormal weather and plant-bed diseases; land, labor, and equipment available for production of tobacco; crop-rotation practices; and the soil and other physical factors affecting production of tobacco.
19. Q. What are the local committees required to consider in recommending quotas for new farms?
A. The same factors as for other farms, except past marketings of tobacco. The quota for any new farm cannot be more than 75 percent of the quotas for other farms in the locality which are similar with respect to land, labor, and equipment available for production of tobacco; crop-rotation practices; and the soil and other physical factors affecting production of tobacco.
20. Q. What consideration is given to small farms?
A. Small farms from which marketings have averaged less than 3,200 pounds will have a minimum poundage quota equal to their average marketings plus the normal production on any diverted acreage.
21. Q. Will all small farms be allowed to market up to 3,200 pounds, regardless of their past marketings?
A. No. A small farm will not have a marketing quota larger than its normal marketings, unless a specific adjustment should be made based upon recommendation by the local committee.
22. Q. Is it likely that new farms can obtain large quotas?
A. No. Quotas for new farms will consist of reasonable allotments for small farms. The maximum quota for any new farm probably will be 3,200 pounds.
23. Q. When will farmers be able to obtain information as to their marketing quotas?
A. Information as to farm marketing quotas will be available prior to the beginning of the marketing season. Acreage allotments under the Agricultural Conservation Program will be completed at an early date and they should serve as a guide to farmers in their plantings for the 1938 crop.

PENALTIES

24. Q. What is the penalty for marketing tobacco in excess of the quota?
A. The penalty will be 50 percent of the gross value of the tobacco, or 3 cents per pound, whichever is greater.

25. Q. Who will pay the penalty?
A. The penalty will be paid by the warehouseman or buyer who may deduct it from the price paid to the farmer.

TRANSFER OF QUOTAS

26. Q. Can marketing quotas be transferred among farms?
A. The act empowers the Secretary of Agriculture to issue regulations under which marketing quotas may be transferred among farms.

MARKETING QUOTAS AND THE AGRICULTURAL CONSERVATION PROGRAM

27. Q. What is the relation between the marketing quotas and the Agricultural Conservation Program?
A. The marketing quotas are set up under the Agricultural Adjustment Act of 1938, while acreage allotments are set up under the Agricultural Conservation Program.
28. Q. Will the quotas affect the payments under the Agricultural Conservation Program?
A. No. Payments for acreage performance under the Agricultural Conservation Program will be made without regard to the marketing quotas. This payment will be at the rate of 1 cent per pound of the normal yield for each acre in the farm acreage allotment.
29. Q. How will the planting of an acreage in excess of the farm acreage allotment affect payments under the Agricultural Conservation Program?
A. A deduction will be made from the payment at the rate of 10 cents per pound of the normal yield for each excess acre.
30. Q. What will be the adjustments of acreage under the Agricultural Conservation Program?
A. For farms having a normal acreage of more than 5 acres, approximately 30 percent from the normal acreage; for farms having 3.5 acres or less, 10 percent from the normal acreage; and for farms having between 3.5 and 5 acres, adjustments ranging from 10 percent up to 30 percent from the normal acreage.
31. Q. Will the acreage allotments under the Agricultural Conservation Program be likely with normal yields to result in production in line with the marketing quotas?
A. Yes.
32. Q. What is the normal yield for flue-cured tobacco?
A. At the present time a normal yield for flue-cured tobacco appears to be above 800 pounds per acre. For the 10 years prior to 1932 the average yield was 686 pounds; for the 5 years from 1933 to 1937 the average yield was 842 pounds. Yields during the past 5 years have been unusually favorable.
33. Q. Is the normal yield mentioned under question 32 higher than that used heretofore under Agricultural Adjustment Administration programs?
A. Yes. The yield used under previous Agricultural Adjustment Administration programs has been around 775 pounds per acre.